

**WARRINGTON TOWNSHIP PERMANENT FINANCE COMMITTEE
MINUTES FOR AUGUST 17, 2009 MEETING**

The regular meeting of the Warrington Township Permanent Finance Committee was held on August 17, 2009 at the Township Building located at 852 Easton Road; Warrington, PA 18976. Those present were: Michael Braun, Chairman; James Furlong, Member; John Heenan, Member; Russ Bragg, Member; Marianne Achenbach, Member; Paul Plotnick; Supervisor Liason; Timothy J. Tieperman, Township Manager; Vivian Bell, Finance Director; and Lauri Halderson, Assistant Finance Director.

1. **CALL TO ORDER:** Mr. Bragg called the meeting to order at 7:11 pm.
2. **APPROVAL OF MINUTES:** Mr. Bragg asked members to briefly review the July 20, 2009 minutes (as amended). A spelling correction was noted. There being no changes, Mr. Heenan motioned for approval, seconded by Mr. Furlong. The minutes were unanimously approved 4-0. Ms. Achenbach was not at the prior meeting.

ACTION/DISCUSSION ITEMS:

3. Review YTD Revenue Reports and Trends (General Fund): Ms. Bell and Ms. Halderson reviewed the latest revenue trends as of August 17, 2009. Real estate taxes are on budget. The real estate transfer tax continues to trend below the monthly budgeted benchmark of \$50,000. The earned income tax is still tracking on budget. There was minor discussion on other smaller revenue sources. Mr. Tieperman noted that one major revenue source that the Township has not collected is the Business Privilege Tax. Budgeted at \$300,000, it is currently an uncollectible because of pending litigation as is the Township's amusement tax. Mr. Tieperman is consulting with the auditors on how best to account for these litigated revenue items at year's end.
4. Review YTD Revenue/Expenditure Report (All Funds): Ms. Halderson reviewed the funding status for all operating funds. Mr. Tieperman noted that the Township continues to maintain a tight hold on spending which hopefully will offset some of the 2009 revenue declines and uncollectibles. The police arbitration award remains pending, as does other insurance renewal figures. Mr. Tieperman also cautioned that the operating funds do not show one time, EOY encumbrances such as capital leases, pension contributions, and other fixed cost contributions. This, coupled with the arbitration award, will likely change the overall funding picture once these adjustments have been made. These encumbrances and accruals will be reflected in the next report in September trend reports.
5. Internal Service Fund (Minor Capital): Review available funding sources and strategies for financing vehicles, IT hardware/software and other minor equipment: Ms. Halderson updated committee members on Staff's desire to formalize a well-structured and well-funded internal service fund for the financing of minor capital items with life cycles of less than ten years. This is commonly referred to as depreciation accounting. These types of items include but are not limited to hardware and software replacements, software upgrades, vehicles and minor equipment. Tieperman stated that the ultimate goal is to develop a self

funding mechanism whereby the Township does not have to consistently rely on capital lease borrowing for the funding of minor equipment. The committee members concurred with this approach. This concept will be discussed further once the preliminary capital budget is prepared for review.

6. Discuss proper placement of impending proceeds from PennDot's condemnation of 202 Parkway land: Mr. Tieperman asked for recommendations from the committee on the proper placement of some impending revenues that the Township is expecting as part of the condemnation of the 202 parcel in the Township's western end. These funds will likely be received by year's end and there are a multitude of places in which these proceeds can be placed such as general fund capital and open space. After some deliberation and in light of the fact that the business privilege tax will not be collected in 2009, the committee unanimously recommended that these funds be deposited into the general fund to boost the fund balance.
7. Review and discuss proposed fund balance policy: Mr. Tieperman distributed some sample literature from the Government Finance Officers Association (GFOA) and literature from the Government Accounting Standards Board (GASB) on appropriate levels of fund balance. Mr. Tieperman explained that the common percentage goals among local government entities are to maintain a fund balance between five and fifteen percent. Maintaining a proper fund balance ensures some degree of tax stability and also protects a community's bond rating. Mr. Tieperman also provided a copy of a fund balance policy passed recently by the Warwick Board of Supervisors which calls for a 15% fund balance. After some discussion the committee recommended to the Board of Supervisors to consider enacting a policy establishing a 10% fund balance. Mr. Tieperman stated that this will be put on a future Board agenda for consideration.
8. Other Business: Mr. Tieperman provided brief updates on current cash control and bonding procedures in the Township, possible use of encumbered grant proceeds in the CDBG and DCNR programs plans for future finance software upgrades and a review of the 2010 budget timelines.

Before adjourning the board, there were some discussions and concerns in reference to the current state budget crisis and how this might impact Township revenues. Mr. Furlong reported that unless the state budget is passed and unless some budget compromise is reached soon, all political subdivisions within the Commonwealth will likely experience delayed state aid. It was noted that school districts are already feeling this impact and that municipalities are not far behind with respect to pension aid and other statutory grant distributions. It was emphasized the importance of keeping adequate reserves on hand to protect against these likely revenue shocks.

One final point of business, Mr. Tieperman asked for a possible date for a special meeting to review Water & Sewer financial matters. The committee agreed to a special date of Wednesday, September 9, 2009. It was noted that this will be an executive session meeting as it involves pre-decisional topics.

There being no further business the meeting adjourned at approximately 9:00 pm. Mr. Heenan motioned to adjourn seconded by Mr. Furlong.

Respectfully Submitted,

Timothy J. Tieperman
Township Manager